2018 Half-Year Report

LALIQUE GROUP

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Management Comment

Lalique Group SA (SIX: LLQ) continued to grow in the first half of 2018 and further invested in its business expansion. Sales increased by 4% to EUR 66.9 million, and net Group profit reached EUR 1.3 million. Lalique Group is continuing to expand its business, particularly in Asia.

In the first half of 2018, Lalique Group achieved results in line with expectations and generated further growth. This was mainly driven by continued strong growth in the Ultrasun segment and a solid sales development in the Lalique segment. Overall, operating revenue grew year on year by 4% to EUR 66.9 million. Personnel costs rose by 7% to EUR 16.0 million and other operating expenses by 2% to EUR 15.0 million, increases that are attributable to further investment in business expansion and in particular to the initial costs for the launch of operations of the new Lalique subsidiary in Japan.

Earnings before interests and taxes (EBIT) reached EUR 2.0 million compared with EUR 2.5 million in the previous-year period. Net Group profit came in at EUR 1.3 million (H1 2017: EUR 3.0 million). As in the previous year, net Group profit included a positive tax effect arising from further reforms of company taxation in France (tax effect in H1 2018: EUR 1.0 million; tax effect in H1 2017: EUR 1.9 million).

Segment results

The Lalique segment reported solid sales growth for the first half of 2018, up 6% to EUR 36.7 million. This result reflects good sales growth at Lalique Parfums (up 9%), with the Asia and South America regions developing particularly well. In the crystal business, the segment's largest business unit, sales remained stable. Both hotels/restaurants – Villa René Lalique and Château Hochberg – recorded high occupancy rates. The segment posted a 6% rise in costs, which includes the above-mentioned initial costs for business expansion in Japan. EBIT was unchanged year on year at EUR -3.3 million.

The Ultrasun segment followed up its very good performance in 2017 with further strong growth that was broadly based across regions, including well-established and newer markets. A newly developed line comprising mineral, sports and fluid products was well received in the market, while the stronger focus on products sold through pharmacies and drugstores is paying off. Overall, sales rose by 20% to EUR 13.2 million and costs by 2%. EBIT increased by 13% to EUR 2.9 million.

In the other segments, Jaguar Fragrances saw sales decrease by 3%, which is mainly attributable to the phasing of sales to distributors into the second half of the year in certain markets. At Parfums Grès, sales fell by 21% due to high inventory levels with various distribution partners, although orders have picked up again since the beginning of the second half. Of the other brands, Bentley Fragrances reported sales down by 22%, largely attributable to deteriorating market conditions in the Middle East. At Parfums Samouraï, sales decreased by 10% as a result of seasonal fluctuations in customer orders. Both Bentley and Samouraï expect to return to growth and to offset the first-half decline by the end of 2018. Lalique Beauty Services, the perfume filling and logistics operation, developed in line with expectations following the increase in storage capacity completed in 2017. A new filling facility will come on stream in autumn this year as planned, increasing both productivity and capacity, also for third-party customers.

As previously announced, Lalique Group has obtained a favourable decision from the Paris Court of Appeal and has been awarded compensation in the amount of EUR 2.4 million in proceedings it has brought against a former legal counsel to enforce a claim for damages. The judgement, issued on 11 September 2018, is not yet final and can be referred to the Court of Final Appeal in Paris within a two months deadline. The decision of the Paris Court of Appeal had no effect on the results of Lalique Group for the first half of 2018.

Outlook for 2018

Thanks to its diversification strategy, Lalique Group feels very well positioned to serve a broad international target clientele in the luxury goods market, and, as already announced, the Group expects to achieve moderate growth overall for the 2018 business year. The rights issue carried out in the context of the change of listing from BX Swiss to SIX in the first half of 2018, which primarily sought to strengthen the balance sheet, further increased the company's liquid assets and thus enhanced its flexibility to further invest in the business.

Lalique Group plans to further invest in the second half of 2018 with a view to broaden its diversified business model and to develop additional areas of income, maintaining a strong focus on Asia. In the medium term, the Group expect these investments to translate into gradually increasing margins.

Lalique Group

Lalique Group is a niche player in the creation, development, marketing and global distribution of luxury goods. Its business areas comprise perfumes, cosmetics, crystal, jewellery, high-end furniture and home accessories, along with art, gastronomy and hospitality. Founded in 2000, the company employs approx. 600 staff and has its headquarters in Zurich. The Lalique brand, from which the Group derives its name, was created in Paris in 1888 by the master glassmaker and jewellery designer René Lalique. The registered shares of Lalique Group SA (LLQ) are listed on the SIX Swiss Exchange.

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Consolidated Income Statement

In EUR thousands	1st semester 2018	1st semester 2017
Net revenue from sales of goods and services	66 496	63 135
Other operating income	391	1 054
Operating revenue	66 887	64 189
Material costs, licences and third-party services	-30 293	-28 097
Gross result	36 594	36 092
Salaries and wages	-15 958	-14 977
Other operating expenses	-15 080	-14 807
EBITDA	5 556	6 308
Depreciation and amortisation / impairment	-3 604	-3 856
EBIT	1 952	2 452
Financial income	2 067	1 299
Financial expenses	-2 780	-2 154
Group profit before taxes	1 239	1 597
Income taxes	75	1 376
Net Group profit	1 314	2 973
of which attributable to:		
Non-controlling interests	- 439	- 300
Owners of the parent company	1 753	3 273
Basic earnings per share (in EUR)	0.35	0.66

Consolidated Statement of Comprehensive Income

in EUR thousands	1st semester 2018	1st semester 2017
Net Group profit	1 314	2 973
Foreign currency translation reserve	399	-1 077
Consolidated comprehensive income	1 713	1 896
of which attributable to:		
Non-controlling interests	- 439	- 320
Owners of the parent company	2 152	2 216

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Consolidated Balance Sheet

ASSETS

in EUR thousands	30.06.2018	30.06.2017
Cash and cash equivalents	11 903	16 252
Trade accounts receivable	21 022	15 723
Inventories	65 514	63 533
Other receivables	8 357	7 084
Total current assets	106 796	102 592
Property, plant and equipment	52 922	51 631
Intangible assets	67 684	67 294
Other non-current assets	5 120	5 114
Deferred tax assets	3 842	3 189
Total non-current assets	129 568	127 228
Total assets	236 364	229 820

LIABILITIES AND EQUITY

in EUR thousands	30.06.2018	30.06.2017
Bank liabilities	40 996	45 568
Trade accounts payable	13 228	10 838
Income tax liabilities	1 600	1 416
Other current liabilities	15 930	16 069
Total current liabilities	71 754	73 891
Other deferred liabilities	-	4 291
Provisions	169	397
Non-current financial liabilities	21 675	33 679
Defined benefit obligation	4 877	4 836
Deferred tax liabilities	16 767	17 246
Total non-current liabilities	43 488	60 449
Total liabilities	115 242	134 340
Share capital	989	816
Capital reserves	46 418	20 798
Retained earnings / other reserves	71 884	71 596
Total equity before non-controlling interests	119 291	93 210
Non-controlling interests	1 831	2 270
Total equity	121 122	95 480
Total liabilities and equity	236 364	229 820

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Consolidated Cash Flow Statement

in EUR thousands	1st semester 2018	1st semester 2017
Group profit before taxes	1 239	1 597
Depreciation and amortisation / impairment	3 604	3 856
Change in defined benefit obligation	3	250
Change in provisions	- 229	- 167
Financial expenses	2 780	2 154
Financial income	-2 067	-1 299
Other non-cash income / expenditure	- 364	- 770
Cash flow from operations before change in net current assets	4 966	5 621
Decrease (+) / increase (-) in trade accounts receivable	-5 153	-2 925
Decrease (+) / increase (-) in inventories	-1 868	-6 308
Decrease (+) / increase (-) in other receivables	- 789	-1 032
Increase (+) / decrease (-) in trade accounts payable	3 264	41
Increase (+) / decrease (-) in other current liabilities	- 245	1 249
Interest paid	- 434	- 495
Tax paid	-1 151	-1 140
Cash flow from business operations	-1 410	-4 989
Investments in property, plant and equipment	-3 252	-4 885
Sale of property, plant and equipment	-	1 097
Investments in intangible assets	- 735	- 411
Cash flow from investments	-3 987	-4 199
Capital contribution from share holder	25 794	3 705
Reduction in shareholder loans	-20 128	- 929
Purchase of treasury shares	-	- 44
Sale of treasury shares	277	267
Increase (+) / decrease (-) in other non-current liabilities	2 113	2 443
Dividend payment	-2 141	- 415
Cash flow from financing activities	5 914	5 027
Exchange differences on cash and cash equivalents	- 294	92
Decrease / increase in net cash and cash equivalents	223	-4 069
Balance of net cash and cash equivalents as at 01. 01.	-29 316	-21 577
Balance of net cash and cash equivalents as at 30.06.[1)]	-29 093	-25 646

[1)] The net cash balance as of 30 June 2018 comprises bank assets of EUR 11 903 thousand and bank liabilities of EUR 40 996 thousand. The bank liabilities lie within the granted credit line and, in view of the current interest situation the loans have no fixed repayment date.

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Consolidated Statement of Changes in Equity

in EUR thousands		Share capital	Capital reserves	Treasury shares	Accumulated foreign currency translation	Retained earnings	Total equity before minority interests	Non-controlling interests	Total equity
Balance as at	01.01.2017	816	17 129	- 553	1 096	70 836	89 324	1 742	91 066
Consolidated comprehensive income		-	-	-	-1 057	3 273	2 216	- 320	1 896
Balance 01.01 to	30.06.2017	816	17 129	- 553	39	74 109	91 540	1 422	92 962
Dividend payment		-	-	-	-	- 415	- 415	-	- 415
Capital increase		-	3 705	-	-	-	3 705	-	3 705
Purchase of treasury shares		-	-	- 44	-	-	- 44	-	- 44
Sale of treasury shares		-	-	152	-	115	267	-	267
Balance as at	30.06.2017	816	20 834	- 445	39	73 809	95 053	1 422	96 475
Balance as at	01.01.2018	816	20 798	- 277	-3 898	75 771	93 210	2 270	95 480
Consolidated comprehensive income		-	-	-	399	1 753	2 152	- 439	1 713
Balance 01.01 to	30.06.2018	816	20 798	- 277	-3 499	77 524	95 362	1 831	97 193
Dividend payment		-	-	-	-	-2 141	-2 141	-	-2 141
Capital increase		173	25 620	-	-	-	25 794	-	25 794
Purchase of treasury shares		-	-	-	-	-	-	-	-
Sale of treasury shares		-	-	277	-	-	277	-	277
Balance as at	30.06.2018	989	46 418	-	-3 499	75 383	119 291	1 831	121 122

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Notes to the Consolidated Financial Statements

1. Basis of preparation

The Consolidated Financial Statements of the Lalique Group were prepared in accordance with International Financial Reporting Standards (IFRS). Accordingly, the Half-Year Consolidated Financial Statements 2018 for the period ending 30 June 2018 were also prepared in accordance with IAS 34 (Interim Financial Reporting).

2. Selected accounting policies

The recording, valuation and consolidation principles applied correspond to the Consolidated Financial Statements as of 31 December 2017. The Half-Year Consolidated Financial Statements 2018 should therefore be read in conjunction with the Consolidated Financial Statements 2017.

IFRS 9
The new standard introduces new accounting policies for financial instruments. This conversion had no significant impact.

IFRS 15
This standard introduces a new conceptual approach, which primarily relates to revenue recognition. Revenues are recognized at the time the control over the goods or services is transferred to the customer. The amount of the turnover results from the consideration received less any reductions such as rebates and reductions. This conversion had no significant impact.

The Consolidated Financial Statements of the Lalique Group are prepared in Euros (EUR). Unless otherwise stated, all figures have been rounded to the nearest EUR thousand.

3. Seasonal Influences on Business Activities

The various segments are subject to seasonal influences, which are offset in the overall analysis. The Ultrasun segment, for example, tends to generate higher revenue in the first half (sales of sunscreen products), in contrast to the Lalique segment, which normally sees an increase in revenue in the second half due to Christmas trade (sales of crystal-glass objects).

4. Scope of Consolidation

The scope of consolidation of Lalique Group as of 30 June 2018 did not change compared with 31 December 2017.

5. Income Taxes/ Deferred Taxes

Income tax expense is recorded in the half-year results on the basis of the best-possible current estimate of the income tax rate for 2018.

6. Inventories

As in the prior-year period, there were no impairments on inventories recorded as expenses.

7. Fixed Assets

During the first half of 2018, the group invested EUR 4 534 thousand (2017: EUR 6 458 thousand) in fixed assets. The largest position relates to investment in production and storage facility of Lalique Beauty Services SASU in Ury, France.

8. Provisions

Additional provisions of EUR 51 thousand (2017: EUR 30 thousand) were recognised during the reporting period. The provisions were reduced mainly by consumption of EUR 279 thousand.

9. Capital Increase

On 21 June 2018, a capital increase was concluded for a total of 1 000 000 new shares with a nominal value of CHF 0.20 each. Thus, the issued share capital of the Lalique Group has increased to CHF 1 200 thousand, divided into 6 000 000 shares. Silvio Denz, Chairman of the Board of Directors of the Lalique Group and majority shareholder, converted his to the company granted shareholder loan in the amount of CHF 21 612 thousand into a total of 720 400 new shares.

10. Segment Reporting

The Lalique Group splits its segments into the “Lalique”, “Ultrasun”, “Jaguar” and “Grès” brands, “Other brands” and “Holding and eliminations”.

Segment Reporting for the First Half of 2018

Business segments
The table below contains information on the revenues, results, assets and liabilities of the Group’s business segments.

in EUR thousands	Lalique	Ultrasun	Jaguar	Grès	Other brands 1)	Holding+ elim. 2)	Group
Operating revenue							
Revenue from sales to external customers	36 208	13 190	10 486	2 221	4 757	25	66 887
Revenue from transactions with other segments	485	- 17	- 22	37	3 211	-3 694	-
Total operating revenue	36 693	13 173	10 464	2 258	7 968	-3 669	66 887
EBIT	-3 342	2 943	1 600	453	448	- 150	1 952
Financial result							- 713
Group profit before taxes							1 239
Income tax expenses							75
Net Group profit							1 314
Assets and liabilities							
Segment assets	158 469	22 857	15 358	9 867	28 591	1 222	236 364
Segment liabilities	119 019	10 375	11 458	3 152	29 095	-57 857	115 242
Other segment information							
Investments							
Property, plant and equipment	1 764	147	99	28	2 454	42	4 534
Intangible assets	657	127	1	-	63	104	952
Depreciation and amortisation							
Property, plant and equipment	2 069	44	56	29	583	7	2 788
Intangible assets	461	173	20	3	158	1	816

1) Operating revenue other brands

Parfums Samouraï	2 624
Bentley Fragrances	1 493
Parfums Alain Delon	52
Lalique Beauty Distribution	534
Lalique Beauty Services	3 265
Total operating revenue other brands	7 968

2) The "Holding + elim." segment covers the holding and management companies, and eliminations. The segment's assets mainly include cash and cash equivalents, long-term receivables of the holding and management companies, and eliminations between the segments. Segment liabilites mainly comprise current liabilities, loans and eliminations.

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Segment Reporting for the First Half of 2017

Business segments
The table below contains information on the revenues, results, assets and liabilities of the Group's business segments.

in EUR thousands	Lalique	Ultrasun	Jaguar	Grès	Other brands [1]	Holding+ elim. [2]	Group
Operating revenue							
Revenue from sales to external customers	34 298	10 961	10 768	2 815	5 413	- 66	64 189
Revenue from transactions with other segments	433	- 16	1	34	3 391	-3 843	-
Total operating revenue	34 731	10 945	10 769	2 849	8 804	-3 909	64 189
EBIT	-3 308	2 598	1 929	459	1 002	- 228	2 452
Financial result							- 855
Group profit before taxes							1 597
Income tax expenses							1 376
Net Group profit							2 973
Assets and liabilities							
Segment assets	148 195	24 641	11 349	10 038	25 785	6 616	226 624
Segment liabilities	104 381	11 661	7 756	3 005	26 341	-22 995	130 149
Other segment information							
Investments							
Property, plant and equipment	1 928	9	-	-	4 190	331	6 458
Intangible assets	35	261	23	6	84	83	492
Depreciation and amortisation							
Property, plant and equipment	2 920	43	70	32	428	7	3 500
Intangible assets	77	91	28	4	155	1	356

[1] Operating revenue other brands

Parfums Samouraï	2 919
Bentley Fragrances	1 917
Parfums Alain Delon	53
Lalique Beauty Distribution	295
Lalique Beauty Services	3 620
Total operating revenue other brands	8 804

[2] The "Holding + elim." segment covers the holding and management companies, and eliminations. The segment's assets mainly include cash and cash equivalents, long-term receivables of the holding and management companies, and eliminations between the segments. Segment liabilites mainly comprise current liabilities, loans and eliminations.

11. Transactions with Related Parties

in EUR thousands	30.06.2018	30.06.2017	transaction
Liabilities			
Members of the Board of Directors of Lalique Group SA	2	14	Mont-Blanc resourcing, consulting
Affiliates under common control	-	3	Vignobles Silvio Denz
	20	-	Denz Weine
Loans			
Principal shareholder	-	22 927	Loan

in EUR thousands	1st semester 2018	1st semester 2017	Type of transaction
Proceeds from:			
Affiliates under common control	1 175	-	Lafaurie Peyraguey Hôtel Restaurant SAS, Sale of Lalique objects, purchase of wine
	-	58	Art&Terroir, rent, insurance
Principal shareholder	27	2	Sale of Lalique objects
Expenditure of:			
Principal shareholder	82	104	Interest on loans
Affiliates under common control	-	8	Wermuth Auktionen, purchase of wine
	-	5	Vignobles Silvio Denz, purchase of wine
	203	181	Ermitage Estate AG, rent
	24	7	Denz Weine, purchase of wine
Members of the Board of Directors of Lalique Group SA	43	58	Mont-Blanc resourcing, consulting

Transactions with related parties are settled on an arm's-length basis.

12. Dividends

In accordance with the motion of the Board of Directors and the resolution passed at the Annual General Meeting held on 8 June 2018 in Zurich, dividends of CHF 0.50 per share were paid out. The total payout for the shareholders was CHF 2 500 thousand (gross amount).

13. Contingent Liabilities

Contingent liabilities are detailed in the Notes to the Consolidated Financial Statements 2017 (Note 30) and have remained unchanged since then, i.e. there are no contingent liabilities.

14. Events after the Balance Sheet Date

In proceedings Lalique Group has brought against a former legal counsel in France to enforce a claim for damages, the Group has obtained a favourable judgement from the Paris Court of Appeal and has been awarded compensation in the amount of EUR 2.4 million. The judgement, issued on 11 September 2018, is not yet final and can be referred to the Court of Final Appeal in Paris within a two months deadline.

The judgement of the Paris Court of Appeal has no effect on the results of Lalique Group for the first half of 2018.

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